# New Hampshire Individual Health Plan Benefit Association

## Chairperson's Report

April 25, 2000

As outlined in last year's report, our first year was focused on developmental tasks such as the adoption of bylaws and a Plan of Operation, the selection of an administrator and the establishment of banking and investment arrangements.

Following the enactment of RSA 404-G, the Board turned its attention to the implications of carriers implementing provisions related to modified experience rating. This work culminated in a revised subsidy formula for the experience period beginning January 1, 1999. At that time, the Board did not anticipate a shortfall for 1999 due to the substantial surplus carried forward from 1998.

During 1999, the Board's efforts focused on carrier assessment reporting and payment. Several efforts were undertaken to contact carriers – in particular stop-loss carriers – to determine why certain reports were missing. Through this effort, carrier reporting errors were discovered which resulted in subsequent corrections and payments. The Board will continue to work with our administrator and the New Hampshire Insurance Department to achieve smooth operation of the Association and participation by all carriers in accordance with the Association's governing statute and Plan of Operation.

When individual carriers submitted their claims experience in June for the 1998 period, it became clear that losses had increased dramatically. Carriers also filed at that time corrected applications for the 1997 experience period as allowed by the Plan of Operation.

After analysis by David Sky of the New Hampshire Department of Insurance, a report was issued which was forwarded to Milliman and Robertson for actuarial peer review. The subsidy determination process resulted in 1998 experience period subsidies of $2,431,292. Subsidy redeterminations for the 1997 experience period resulted in additional subsidies of $228,204. Thus, the total subsidies approved in 1999 for the program was $2,659,496.

Trends from 1997 to 1998 with respect to the number of subsidy-eligible lives, size of the entire non-group market, morbidity experience of the subsidy-eligible lives and morbidity experience of the entire non-group market all appeared to be unfavorable. Data reviewed in connection with the 1998 subsidy determination indicated an increase in the number of exposures from approximately 8,600 to approximately 9,600. This was accompanied by both a slight shift in the exposure pool toward older age brackets and a significant increase in claim severity. This experience produced erosion in the reported medical loss ratio from 65% to 72% along with an increase in both the number and severity of catastrophic claims.

Based upon this information, the Board expected the subsidy levels to continue into the future at or above current levels.

In the fall of 1999, the Board prepared a Subsidy Distribution Plan Projection, which illustrated a carry forward shortfall in excess of $1.5 million after application of available funds. This shortfall was carried forward in respect to the 1998 experience period. If actual collections and expenses were to continue at levels experienced by the Association in 1999, the Association would approach the end of year 2000 before the full subsidies for 1998 experience were paid. The Subsidy Distribution Plan Projection showed that undistributed balances would be expected to grow materially over the next two years, thus compounding the carry forward shortfalls from year to year. In the view of the Board, operating with such compounding shortfalls would frustrate the purposes of RSA 404-G.

On October 27, 1999, the Board, by unanimous vote, recommended to Commissioner Paula Rogers that the assessment level be increased to 36 cents per covered life per month for the year 2000. Even with this increase, the Board expects to fall short of its goal (for the next two years) to operate within a collection level which would permit subsidies to be paid within a reasonable period following approval. Accordingly, the Board believes this amount clearly is no greater than is necessary to fulfill the purposes of RSA 404-G. The Board expects to continue to review the assessment level each year to determine if any adjustments, either up or down, should be made for the next year pursuant to the Plan of Operation.

On October 29, 1999, Commissioner Rogers approved the Board's request. Carriers were subsequently notified and the first payment due under the new formula is scheduled for May 15, 2000.

There have been no carrier withdrawals from the individual market in 1999. One new carrier entered the market in late 1999, Matthew Thornton Insurance, Inc. At least one of these carriers has begun to take advantage of the underwriting provisions afforded through RSA 420-G.

As the Association's reporting for the 1999 operating year is finalized, I am in transition to a new position outside of the health insurance industry. Rod Turner of American Republic, who contributed much as the Association's Vice-Chair, has agreed to assume the Chairperson role in 2000. I enjoyed working with Rod and the other Board members during the Association's start up phase and am confident that they will continue to serve the Association well.

Respectfully submitted,

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Linda Whitenack, Outgoing Chair